

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – FEBRUARY 16, 2005

PRESENT: Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Aidan Moore, Chief of Enforcement; Howard Roundy, Director of Information Technology; Evie Taft, Human Resources Administrator; Richard Gerrish, Spirits Marketing Specialist; Nicole Brassard, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer. **Guests:** Al Picconi, United Beverages, Inc.; Brian Law, Law Warehouse.

EXCUSED: Peter Engel, Director of Store Operations.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending 2/13/05 indicates retail sales were down -14.1%, on-premise sales were down -8.1%, off-premise sales were up by .41%, and total aggregate sales were down around -10.54%. The traffic count also decreased by 15,139, as did the average sales ticket by -\$44.

The W-1 Total Weekly Sales report for the same week confirms total sales were down -10.54% or (\$686,829) for the week, but were up for the year by 5.5% or \$13,539,234. Wine sales also decreased for the week by -9.1% or (\$289,813), but increased by 5.98% or \$6,794,579 on a yearly basis. Sales of spirits were down by almost -11.9% or (\$397,015) compared to the same week last year; however, they were up for the year by 5.15% or \$6,744,655.

Craig reported that one broker did deliver a check yesterday for an overdue bill and also paid service charges.

There will be a meeting next Wednesday, February 23 with the new representative from Paymentech concerning training for bulk activation of gift cards.

B. Budget/Administrative Reports:

Both the contract with Thermal Stor and Enforcement's "Fatal Choices" project were approved at the Governor and Council meeting last week.

There will be a meeting next week with Verizon at which they will present some options for back-up contingency communication systems. Craig will report back to the Commission regarding this.

There are no hearings on bills concerning the Commission as of yesterday afternoon.

The current W-6 Expense Budget Activity Variance Report shows the year to be at about 63% expired, with expenditures at about 60% of the budget.

George sent an e-mail to the Commission and several others containing a report on payroll and reduction on Class 50 expenditures, which is encouraging. These accounts will continue to be closely monitored.

Howard and George have been working together to identify a slight change in the OIT budget. A copy of reallocation of overhead expenses was received from OIT this morning which showed a reduction of \$90,000 in their budget. This will also be followed closely.

2. IT Report

Today IT will implement GTIN, which is a 14-digit version of UPC, in LIDS. Information will be available through the data base, and several employees will be able to do data entry as part of their operations. The system allows larger numbers to be used, but does not changes those numbers already assigned to products. It may, however, affect products coming in from Europe. Howard expects there will not be many new codes during the first six to twelve months.

The state's Webster system is still in the process of recovering from hacker damage. Howard explained what methods will be used now to beef up security.

Howard met with Aidan Moore's counterpart from DRED regarding the possibility of DRED communicating through the network from nine access points in stores. This would be fairly limited and could be done before the stores opened in the morning. Aidan explained that DRED owns the communications towers on mountains which Safety uses and also controls the system the Commission uses.

Last Thursday Howard had a conversation with a network group at OIT relative to isolating the stores from the rest of headquarters to minimize the effects of headquarter LAN issues on store operations. He expects a report on this by the end of this week.

Commissioner Byrne asked if the box in the hallway at Store #76 Hampton should be moved into the conference room. John Bunnell and Peter will check to see if the noise level would interfere with meetings held in the conference room.

3. Human Resources Report

Sexual harassment training will be held for stores and other individuals who have not yet attended a training session on March 22, 23, 29, 30 and 31.

Regarding appraisals, there are five for stores, one for the warehouse, one for headquarters and one for Enforcement which are currently overdue.

II. MARKETING & SALES REPORTS

1. Store Operations

The Swanzey store has now been relocated. Commissioner Russell commented that the new signage looked very good. There will be announcements in the local papers as to when the store will open for business.

Commissioner Maiola, Tom Smith and Peter Engel again visited the potential location for a store in Center Harbor, which is comprised of 2,600 square feet. A rental agreement is being worked out, subject to Commission approval, to pay one-half price for 900 feet of upstairs limited storage space. Very little remodeling would be needed for occupation, and there is a good traffic flow during both the summer and winter.

A meeting is scheduled with Law Warehouse tomorrow to discuss bio-terrorism and compliance with requirements. A list of these requirements will be provided to the Commission.

2. Purchasing Report

Out-of-stocks are currently in good shape, although there have been a few incidences of frozen items. Brian Law confirmed that there have been about 20 cases of frozen product.

Commissioner Byrne asked Al Picconi to see Kathy Hass after today's meeting concerning problems with estimated times of arrival for some United Beverage products.

3. Merchandising Report

A. SPIRITS:

1) Test Market Products:

a. Test Market Request (Bacardi Big Apple Rum):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Bacardi USA for a new test market listing for Bacardi Big Apple Rum, 750ML size (assigned new Code #4321), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Bunnahabhain Single Malt Scotch):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./International Beverage Co. for a new test market listing for Bunnahabhain Single Malt Scotch, 750ML size (assigned new Code #759), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Results (Codes #5226, #4344, #5206 & #5216):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the delisting of the following four (4) spirit items which failed to achieve their respective gross profits required for both full distribution and specialty item consideration at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #5226, Llords Amaretto, 1.75L; Code #4344, Beachcomber Spiced Rum, 750ML; Code #5206, Llords Sour Lemon Schnapps, 750ML; and Code #5216, Llords Strawberry Grapefruit, 750ML. The motion was unanimously adopted.

2) April Special Offers:

a. 2 item – Perfecta Wine Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission refer back to Marketing for further negotiations special offers based upon special purchase allowances for two (2) spirit items submitted by Perfecta Wine Company for April 2005. The motion was unanimously adopted.

b. 4 items – Pine State Trading Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon special purchase allowances for four (4) spirit items, to be featured on sale during April 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. 1 item – M.S. Walker N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a special offer from M.S. Walker N.H., based upon a special purchase allowance for one (1) spirit item, to be featured on sale during April 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. 9 unmatched items – M.S. Walker N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker N.H., based upon depletions, without matching state funds, for nine (9) spirit items, to be featured on sale during April 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. 24 items – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon special purchase allowances for twenty-two (22) spirit items, to be featured on sale during April 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales, and refer back to Marketing for further negotiations special offers for two (2) spirit items. The motion was unanimously adopted.

- f. 12 items – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon special purchase allowances for twelve (12) spirit items, to be featured on sale during April 2005, as

recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

g. 97 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon special purchase allowances for ninety-three (93) spirit items, to be featured on sale during April 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales, and refer back to Marketing for further negotiations special offers for four (4) spirit items. The motion was unanimously adopted.

h. 45 unmatched items – United Beverages, Inc.

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions, without matching state funds, for forty-five (45) spirit items, to be featured on sale during April 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) One Time Buy (Buffalo Trace Bourbon):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a one time buy of additional cases of Buffalo Trace Bourbon, 750ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Appeal (Svedka Clementine Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny an appeal from M.S. Walker, Inc. regarding the delisting of Code #3597, Svedka Clementine Vodka, 750ML size (product to remain delisted), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Special Offers for April 2005:

a. 3 items – Charles Saunders:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Charles Saunders, based upon depletions for three (3) wine items, to be featured on sale during April 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 7 items – R.P. Imports:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from R.P. Imports based upon depletions/special purchase allowances for seven (7) wine items, to be featured on sale during April 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 18 items – E & J Gallo Winery:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from E & J Gallo Winery, based upon depletions for eighteen (18) wine items, to be featured on sale during April 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 26 items – Pine State Trading Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions for twenty-six (26) wine items, to be featured on sale during April 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- e. 14 items – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions for fourteen (14) wine items, to be featured on sale during April 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- f. 33 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions for thirty-three (33) wine items, to be featured on sale during April 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Close Outs:

- a. 3 items – Stone Creek wines:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve close out pricing for three (3) Stone Creek wines, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 37 items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve close out pricing for thirty-seven (37) miscellaneous wines, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Jorge Ordonez & Eric Solomon Feature Program:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from M.S. Walker N.H. to conduct a program featuring nine (9) Jorge Ordonez & Eric Solomon wines during

April 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Hoya de Cadenas Purchase & Feature:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from M.S. Walker N.H. to conduct a program featuring two (2) Hoya de Cadenas wines during April 2005 for the Spanish Wine Sale, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Recommended Allocated Wine for Distribution to Selected Stores:

a. 8 items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that recommendations from Nicole Brassard, Wine Marketing Specialist, concurred by John Bunnell, Administrator of Marketing & Sales, to distribute eight (8) allocated wines to selected stores be tabled pending determination of how much product is available in the stores. The motion was unanimously adopted.

b. 28 items:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the allocation of twelve (12) wine codes to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales, but that sixteen (16) additional codes be tabled pending determination of how much product is available in the stores. The motion was unanimously adopted.

6) “R” Wines for Allocation to Licensees Selected by the Broker (2 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve two (2) restricted wines for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 7) Primary Source Submissions (10 items – primary source; 3 items – exclusive agent; 10 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of ten (10) wine codes which are from primary source, three (3) wine items which are not from primary sources, but are offered by the exclusive marketing agent, and ten (10) wine codes which are not from primary source, but are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORT – None.

IV. CHAIRMAN’S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated February 10 through February 16, 2005. The motion was unanimously adopted.

2. Coupon Approvals: None.
3. Late Items/Other: None.

Anthony C. Maiola, Chairman

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

